

Setting a benchmark

Annual ARCH/NFA survey into Universal Credit (2020)



Author: Lisa Birchall, NFA Policy, Communications and Research Officer
Editor: Chloe Fletcher, NFA Policy Director
Designer: Jo Marks - www.mylatestwork.co.uk
Cover Photo: iStock
Published By: NFA - National Federation of ALMOs
4 Riley Court, Milburn Hill Road, Coventry, CV4 7HP
[@nfa_almos](mailto:nfa_almos@nfa_almos)
Email: info@almos.org.uk
Website: www.almos.org.uk
Telephone: 02476 472729

In partnership with: ARCH – Association of Retained Council Housing
Riley Court, Milburn Hill Road, Coventry, CV4 7HP
Email: info@arch-housing.org.uk
Website: www.arch-housing.org.uk
Telephone: 024 7647 2711

The NFA and ARCH would like to thank all the members who responded to the survey. Whilst all reasonable care and attention has been taken in compiling this publication, the authors, publishers and editorial team regret that they cannot assume responsibility for any error or omission that it contains.

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Introduction

ARCH and the NFA have published an annual survey of our members for the last five years. This looks at the impact of welfare reform and the roll out of Universal Credit (UC) on local authority landlords and their tenants. We have taken data every year on the 31st March to allow comparison across years. The Coronavirus pandemic lockdown hit at practically the same time as we would normally take our data sample, starting as it did on March 23rd 2020.

It is clear that the lockdown has had an impact on tenants and landlords, with our members reporting an average of **two and a half times** the number of claim verifications in the weeks after lockdown compared with the period before. Our members also reported sharp increases in the need for financial signposting and support services at the beginning of lockdown, with tenants contacting their services who have never previously had financial difficulties. Recent evidence from HouseMark shows that arrears across the social housing sector have climbed considerably in the last three months.¹

We made the decision to continue with our longitudinal survey on the 31st March this year to give us a benchmark against which we can measure the impact of COVID-19 on our members. We will then follow this with a longer survey later in the year. It is too early at the moment to fully assess the impact; for example, some of our members reported moving all or some of their rent free weeks to the beginning of lockdown to assist people, the '53 week year' is likely to have negatively impacted rent arrears in March/April, and some members had received, or were waiting for, bulk payments from the DWP. The Government's furlough scheme has also been operational in this period and is likely to be cushioning the impact, especially in those areas where there are high levels of employment in sectors which have been disproportionately hit by COVID-19. These factors will take time to work through.

Overall, the picture at March 31st 2020 was one of stability and the trend seemed to show that UC arrears were reaching a plateau, albeit a significantly higher plateau than we would want, with around two thirds of UC households in arrears. There were little changes in the policy environment or structure of UC between March 2019 and March 2020, and organisations have had time to react to UC and put in place the systems to support claimants.

Whilst the UC situation for households may have stabilised, the overall debt for ALMOs and local authorities is still increasing year on year as more households move to UC. For the organisations we track every year, there has been an increase of 20% in arrears from £34.4 million in 2017 to £41.22 million, and this has been during a period where rents have also decreased 1% every year. This is money that organisations do not have to spend on tenant services: repairs and maintenance, building safety, new build and wraparound housing services. If COVID-19 increases this debt significantly some may find themselves with big cashflow problems and facing the decision to have to cut essential services.

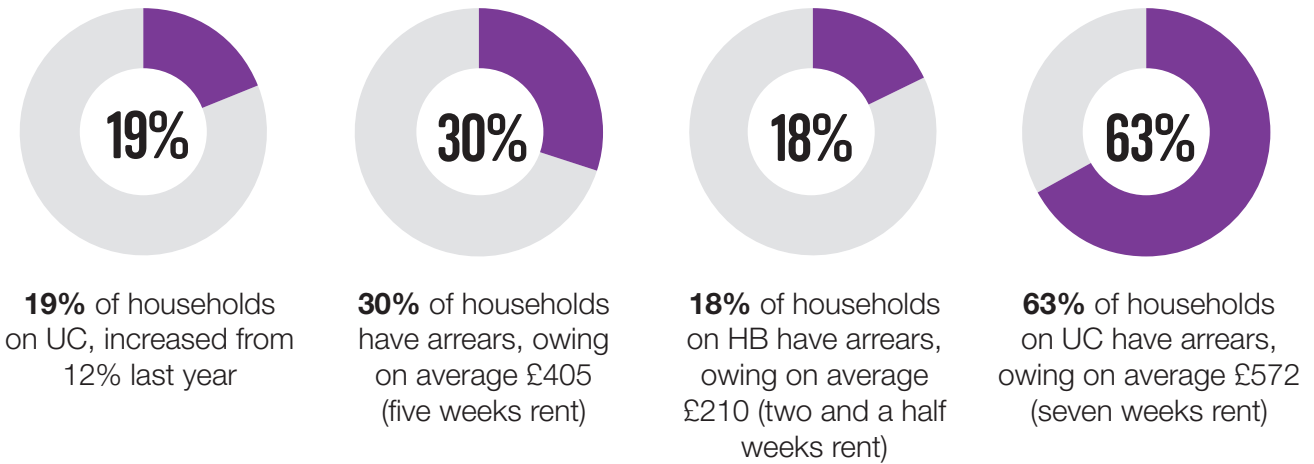
DWP has seen an unprecedented strain on the UC system since lockdown was announced and we'd like to acknowledge the work that DWP staff have been doing to support people onto UC. We understand that currently all DWP capacity is concentrated on getting people onto UC rather than working on improvements to the system. That being said, there are a number of issues which existed prior to COVID-19 which will need to be tackled once we get through the crisis, including the functionality of the Landlord Portal, the five week wait and advances, and managed migration.

¹ Housemark, COVID-19 Impact Monitoring, Executive Summary, May 2020, housemark.co.uk

Summary of data

Overall survey (data at 31st March 2020)

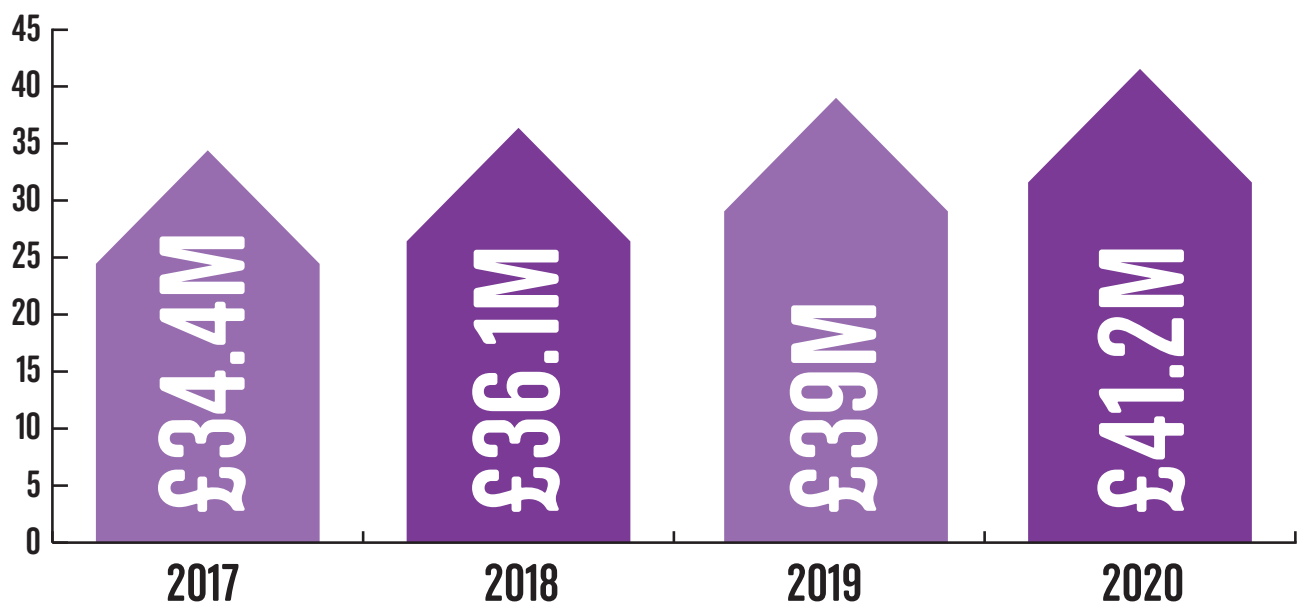
43 responses managing over 550,000 affordable and socially rented homes.



Alternative Payment Arrangements: 24% subject to an APA (down from 27% in 2019)

Tracking the situation for 24 organisations over the last four years

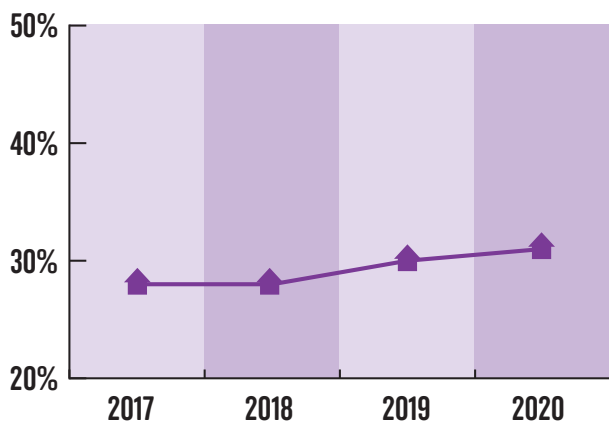
Total amount of housing debt:



The overall percentage of households in arrears has barely changed in the last four years. However the amount they owe has been increasing year on year as more households move onto UC.

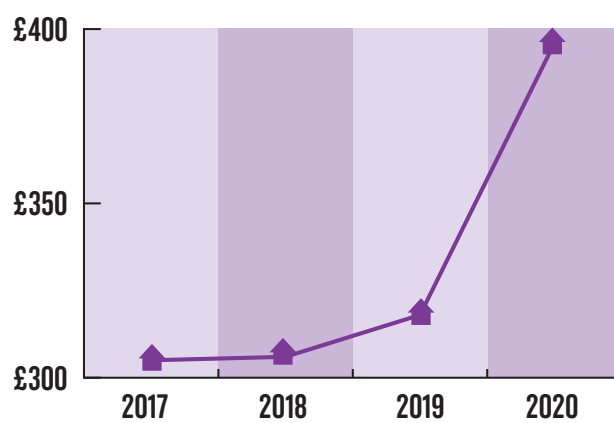
The percentage of UC households in arrears has remained stable the last two years down from 76% in 2017. The amount these households owe has also remained broadly the same.

31% OF HOUSEHOLDS IN ARREARS (2020)

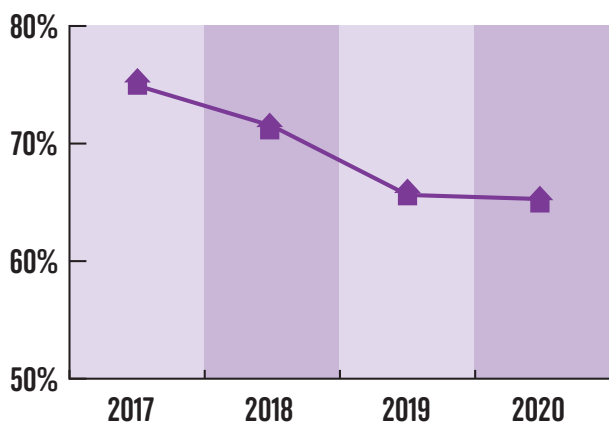


OWING

£396 (FIVE WEEKS RENT)

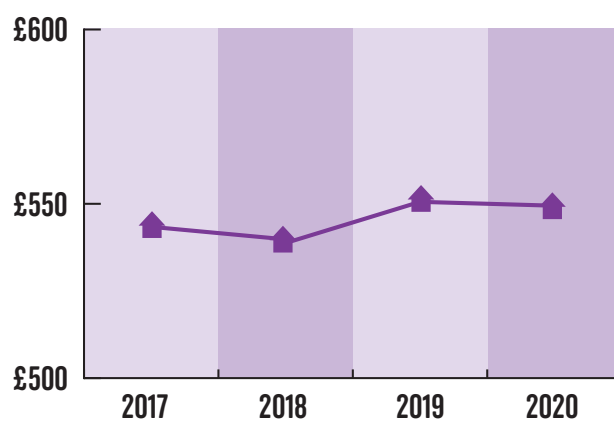


65% OF HOUSEHOLDS ON UC IN ARREARS (2020)



OWING

£548 (SIX WEEKS RENT)

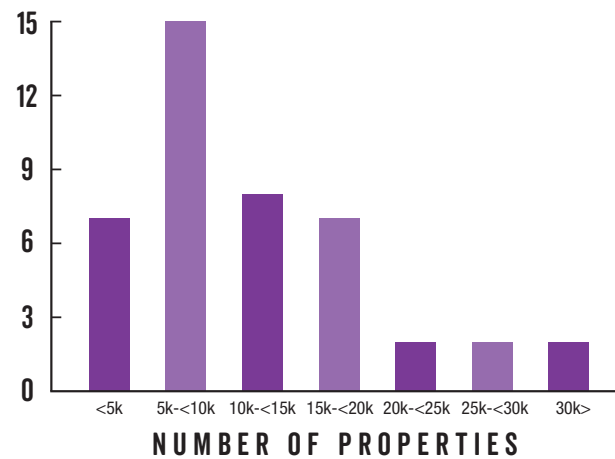


Respondents

We received 43 responses to our survey from local authorities and ALMOs. Together these respondents manage over half a million social and affordable rented properties across the country. Our dataset runs from small local authorities managing less than 5,000 properties to large metropolitan authorities managing over 30,000 properties.

Region	Number of respondents	Amount of social and affordable rented properties managed
North	12	209,999
Central	14	193,487
South	11	80,629
London	6	69,098
TOTAL	43	553,213

Table one: Summary of dataset



Part One - Overall arrears position

- 30% of all households in arrears, owing £405 (5 weeks' rent)
- 63% of UC households owing £572 (seven weeks' rent)
- 18% of HB households in arrears, owing £210 (two and a half weeks' rent)

Overall arrears

Based on data from 41 organisations, **30%** of households were in arrears and owed on average **£405**, or approximately **5 weeks'** rent. The average percentage of households in arrears is unchanged from last year, but there has been an increase in the average amount owed from £320. Over the last 4 years, however, overall rent arrears have remained pretty steady (table four).

Region	Average percentage of households in arrears	Average amount owed	Approximate number of weeks owed
North	34%	£393	5
Central	28%	£372	5
South	23%	£379	4
London	34%	£709	7
TOTAL	30%	£405	5

Table two: Average arrears across all properties

North (average North West, Yorkshire and The Humber and North East)	£73.70
Central (average East, East Midlands and West Midlands)	£80.90
South (average South West and South East)	£86.13
London	£105.72
England	£85.97

Table three: Average weekly local authority rents by region in England (2018-2019)²

Region	Average percentage of households in arrears				Average amount owed			
	2017	2018	2019	2020	2017	2018	2019	2020
North	32%	33%	34%	34%	£292	£333	£331	£393
Central	26%	26%	26%	28%	£441	£347	£319	£372
South	23%	21%	24%	23%	£312	£303	£293	£379
London	42%	37%	37%	34%	£533	£541	£607	£709
TOTAL	31%	26%	30%	30%	£414	£328	£320	£405

Table four: Analysis of overall household arrears from 2017-2020

² Averages from data from Average weekly local authority rents by region in England (2018-2019), Table 75a, Page 215, 2020 UK Housing Review, CIH & Heriot Watt University

Housing Benefit

Based on data from 38 organisations, an average of 45% of households are still on Housing Benefit (HB). This is down from 51% last year.

27 organisations provided data on HB arrears. The average percentage of households in receipt of HB which were in arrears was **18%**, owing around **£210** (two and a half weeks rent). This is largely unchanged from last year when **21%** of households on HB were in arrears, owing **£221**.

Universal Credit

Households on Universal Credit

As at 31st March 2020 an average of **19%** of households were on UC, although there is still a considerable range across the organisations from 6% to 39%. This is an increase from **12%** last year.

North	Central	South	London	Overall
24%	18%	17%	16%	19%

Table five: Median organisational average: households on Universal Credit

Universal Credit arrears

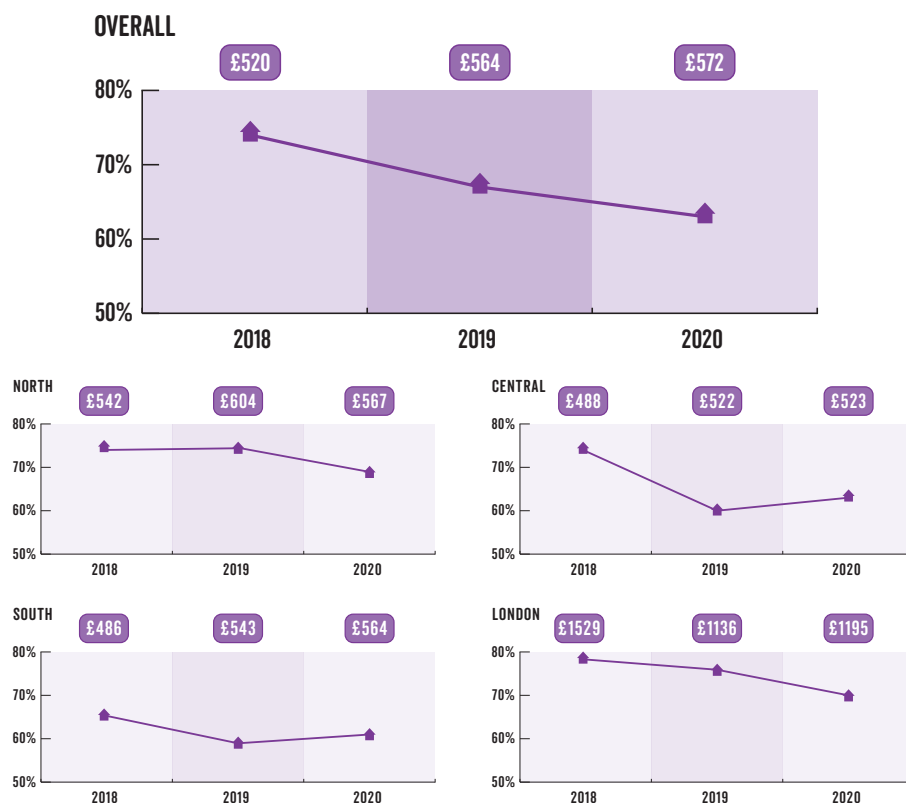
39 organisations provided data on UC arrears. The average organisational percentage of UC households in arrears was **63%**. Whilst this is lower than last year (67%) it is still nearly two thirds of the households that are on UC.

The average amount owed was **£572** (approx. 7 weeks), which is broadly the same as last year (£564).

Region	Average percentage of UC households in arrears	Average amount owed	Average number of weeks owed
North	68%	£567	8
Central	63%	£523	6
South	61%	£564	7
London	70%	£1,195	11
Overall	63%	£572	7

Table six: UC arrears

Looking at data regionally for the last three years, the percentage of UC households in arrears has been falling while the amount owed has remained broadly the same. It could be that organisations were reaching a plateau with the UC situation prior to COVID-19.



For those organisations which could provide the data, 50% of households in arrears owed more than one month/ four weeks in arrears. This has barely changed in the last three years from 52% in 2018 and 50% in 2019. The average debt owed for these households was £955 (approximately 11 weeks rent) which is in line with 2019's figure of £922.

Alternative Payment Arrangements

38 organisations provided data on the number of UC households which were subject to an alternative payment arrangement (APA). Overall, **24%** were subject to an APA. This has dropped from 27% in 2019 and 29% in 2018.

North	Central	South	London
30%	23%	19%	29%

Table seven: Percentage of households on APAs

Direct Debit

In previous years some organisations have stated that moving people onto paying by direct debit has helped them with managing the arrears situation and supported people to manage their tenancy. There is a big variation in the levels of UC households paying by direct debit, but the average across all organisations is around a fifth (19%). It is highest in the North at (26%) and lowest in London at 10%.

North	Central	South	London
26%	20%	18%	10%

Table eight: Percentage of households on Direct Debit

Part Two: Longitudinal Analysis

24 organisations have returned data for the four years 2017 to 2020; between them they manage around 280,790 homes. Around one fifth of households were in receipt of Universal Credit at the 21st March 2020:

2017	2018	2019	2020
1.4%	3%	12%	19%

Table nine: Percentage of households in receipt of UC

Total amount of housing debt

The 24 organisations in our longitudinal sample were owed a total of around **£41.22 million** in arrears debt as at 31st March 2020. Whilst housing organisations will always carry a certain amount of arrears debt, it is striking that there has been a 20% increase in the actual amount of debt between 2017 and 2020; and this has been during a period where there has been a 1% rent decrease every year.

UC arrears now make up on average **59%** of the total amount of arrears even though UC households are only **19%** of the total number of households.

2017	2018	2019	2020
£34,402,665	£36,103,580	£39,012,174	£41,223,389

It is clear on this trend that as households continue to transition to UC, overall organisational arrears debt will continue to climb. So, although there may have been a stabilising on a household level, ALMOs and Local Authorities are still facing the brunt of UC not working properly on an organisational level. This is money which should be used for investing in current homes and building new homes, investing in energy efficiency programmes, and delivering wraparound programmes which improve people's lives and support communities.

Overall arrears

An average of **31%** of households were in arrears. This has remained broadly stable over the last four years:

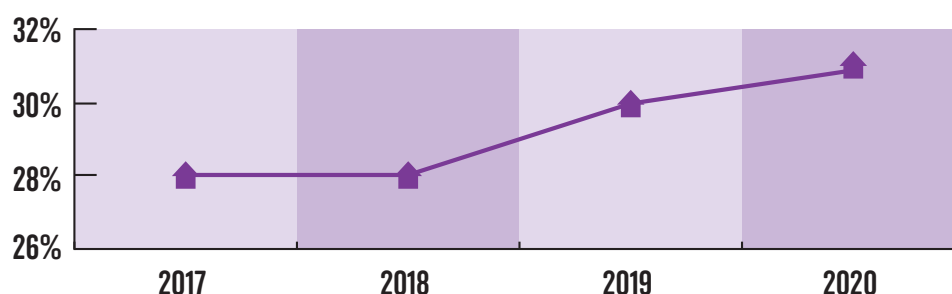


Table ten: Overall percentage of households in arrears

As in previous years, overall percentages of households in arrears are higher in the North (34%) and London (35%) and lower in the Midlands (26%) and the South (22%).

The average amount owed by a household in arrears is **£396 (5 weeks' rent)**.

Region	Average amount owed by a household	Average weeks' rent owed
North	£347	5
Central	£404	5
South	£349	4
London	£685	6
OVERALL	£396	5

Table eleven – Average amount owed by all households in arrears

Considering the fact that the numbers of households on UC have increased and that those households tend to owe more, it is not a surprise to see that the average amount owed by households in arrears has been increasing over the last four surveys. However, the increase this year is much greater than the previous three years. It is possible that this has been affected by the combined impact of the 53 week year, beginnings of the impact of COVID-19 alongside the greater number of households on UC.

2017	2018	2019	2020
£305	£306	£313	£396

Table twelve – Longitudinal analysis of the average amount owed by all households in arrears

Universal Credit arrears

An average of **65%** of households in receipt of UC were in arrears which is practically unchanged from last year (66%). As with the wider dataset, it is possible that we were beginning to see a reaching of a plateau with the numbers of UC households in arrears; little changed in the policy arena between 2019 and 2020, and organisations had largely geared up their teams to support those moving to UC to manage their housing debt (e.g. through welfare advisors, more resources to manage the Landlord Portal, early intervention to manage debt).

2017	2018	2019	2020
76%	72%	66%	65%

Table thirteen: Percentage of UC households in arrears

UC households in arrears owed on average **£548** (six weeks' rent). This has barely changed from last year (£552) or the previous years:



Whether these trends would have continued is now impossible to tell due to the impact of COVID-19. We know that organisations have seen a massive increase in UC verifications and requests for support in the last few months. We expect to see considerable increases in the number of households on UC in housing debt when we survey later this year and next year. However, the 2019/2020 figures will provide a good benchmark against which we can assess the impact of COVID-19.

Four Weeks or more

49% of households had arrears totalling more than one month or 4 weeks. This has been falling by 1% a year since 2017 when it was 52% of households, but has remained broadly stable at around half of households.

Under-Occupancy Penalty and the Benefit Cap

The Under-Occupancy Penalty (UOP)

The under-occupancy penalty was introduced in the Welfare Reform Act 2012. We last surveyed our members on the impact of the penalty in 2017. We wanted to resurvey members on this question in 2020 to assess whether the situation had changed and also to provide a baseline for COVID-19 analysis later in the year. Considering the significant increase in households moving onto UC after March 22nd – many from a situation of no housing benefit – it is quite possible that much higher numbers will be affected by the Under-occupancy penalty.

5% of households are affected by the UOP nationally, rising to 7% in the North. **42%** of these households are in arrears.

	Percentage of households affected by the UOP	Percentage of households that are affected by the UOP which are in arrears	Average amount of arrears
2017	9%	40%	£381
2020	5%	42%	£264

Table fourteen: comparison between 2017 and 2020. 2020 data from 28 organisations that completed these questions.

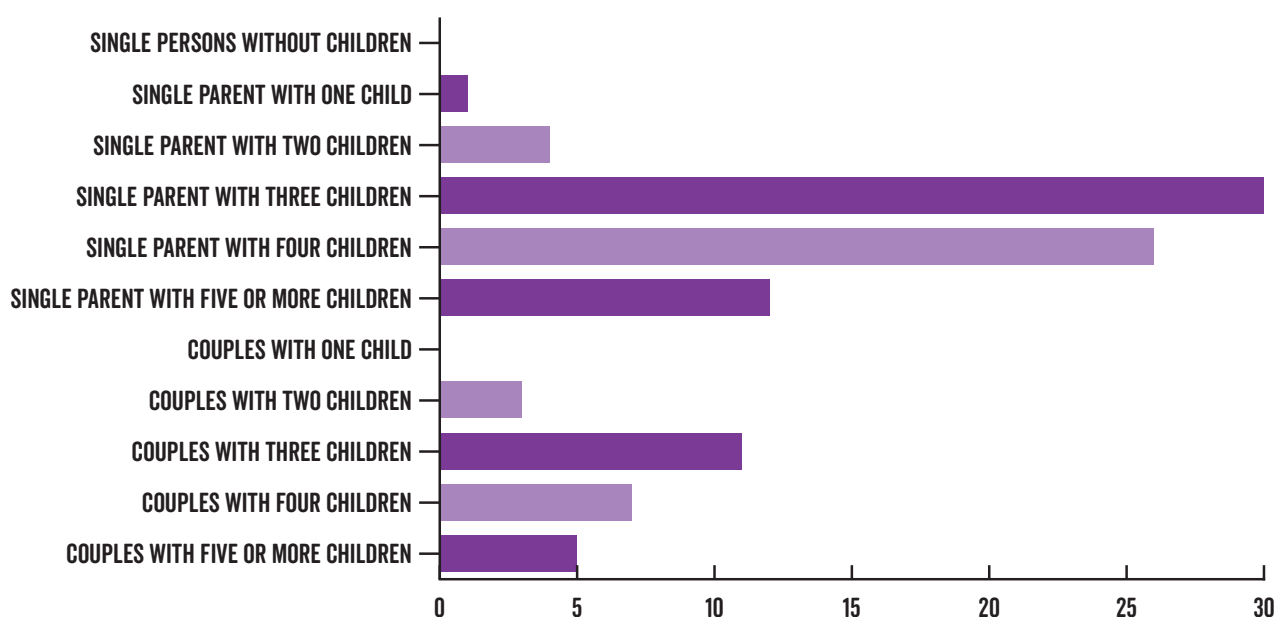
The Benefit Cap

The NFA campaigned strongly against the introduction of the Benefit Cap and we are still strongly opposed to it. While it affects small numbers of households, the negative impact on those households is considerable. As predicted before the introduction of the cap, it affects those households with higher numbers of children and therefore punishes poorer children by reducing household incomes.

We are concerned that COVID-19 will have brought more families into the scope of the Benefit Cap during a period where unemployment – particularly low-paid employment – has increased.

In March 2020, **1%** of households on benefits had their benefit capped. Just over two thirds of these (67%) were in arrears.

We received data about 855 households which had had their benefits capped. Nearly three quarters of these were single parent households (73%). This is hugely concerning since these households will find it much more difficult to make up the income lost as a result of their benefits being capped.



Part Four: COVID-19 Impact

The NFA and ARCH will be surveying our members later this year to understand the full impact of COVID-19 on households. We know that organisations experienced a huge spike in UC verifications in the weeks following the announcement of the lockdown. On average, weekly applications rose by two and a half times. However, this hides considerable local variation:

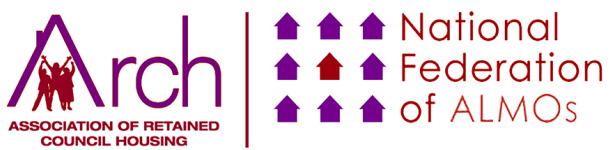
Region	Average increase in UC verifications	Range of increase
North	2.6	1.8 – 7.3
Midlands	2.4	1.5 – 5.8
South	3.5	1.6 – 6.0
London	2.4	2.1 – 5.6

Table fifteen: Average rate of increase in UC verifications compared with pre-COVID-19

A big geographical determiner which appears to have driven up UC applications in the early days after lockdown is coastal/ seaside location. People on the coast will have been hit with the closing of the tourist, hospitality and seasonal farming sectors. It is also much more difficult to find a replacement job in a rural area than a concentrated urban area which will have impacted in some places. Seven of our respondents are located in traditional coastal areas³. On average they saw a **four times increase** to the number of UC verifications being undertaken weekly.

We will explore the fallout from this much more fully later in the year.

³ South Essex, Southampton, Poole, Sedgemoor, Cornwall and Colchester



Together we serve the interest of more than a million homes in England

NFA - National Federation of ALMOs

4 Riley Court, Milburn Hill Road, Coventry, CW4 7HP

Email: info@almos.org.uk

Website: www.almos.org.uk

Telephone: 02476 472729